

**REPORT OF THE AUDIT OF THE
OLDHAM COUNTY
SHERIFF**

**For The Year Ended
December 31, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
OLDHAM COUNTY SHERIFF

For The Year Ended
December 31, 2005

The Auditor of Public Accounts has completed the Oldham County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$12,749 from the prior year, resulting in excess fees of \$97,319 as of December 31, 2005. Revenues decreased by \$20,158 from the prior year and expenditures decreased by \$32,907.

Debt Obligations:

Capital lease principal agreements totaled \$48,160 as of December 31, 2005. Future principal and interest payments of \$50,346 are needed to meet these obligations.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mary Ellen Kinser, Oldham County Judge/Executive
Honorable Steven W. Sparrow, Oldham County Sheriff
Members of the Oldham County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Oldham County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 13, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Mary Ellen Kinser, Oldham County Judge/Executive
Honorable Steven W. Sparrow, Oldham County Sheriff
Members of the Oldham County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Oldham County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 13, 2006

OLDHAM COUNTY
STEVEN W. SPARROW, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

Federal Grant		\$	101,440
State - Kentucky Law Enforcement Foundation Program Fund			49,955
State Fees For Services:			
Finance and Administration Cabinet	\$	116,664	
HB 413		<u>5,541</u>	122,205
Circuit Court Clerk:			
Fines and Fees Collected			6,299
Fiscal Court			13,062
County Clerk - Delinquent Taxes			5,461
Commission On Taxes Collected			951,829
Fees Collected For Services:			
Auto Inspections		18,415	
Serving Papers		50,325	
Carrying Concealed Deadly Weapon Permits		<u>22,545</u>	91,285
Other:			
Transporting Prisoners		2,400	
Sheriff 10% Fees		96,564	
Advertising Costs		2,715	
Advertising Fees		840	
Miscellaneous		7,723	
Reimbursements		7,232	
DUI Reimbursement		<u>741</u>	118,215
Interest Earned			13,693
Borrowed Money:			
State Advancement			<u>590,000</u>
Total Revenues			<u>2,063,444</u>

The accompanying notes are an integral part of this financial statement.

OLDHAM COUNTY
STEVEN W. SPARROW, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2005
(Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	518,287	
KLEFPF		41,881	
Part-Time Salaries		84,349	
Other Salaries		35,105	
Overtime		24,584	\$ 704,206

Employee Benefits-

Employer's Share Social Security		54,955	
Employer's Share Retirement		24,941	
Employer's Share Hazardous Duty Retirement		128,856	
Employer Paid Health Insurance		48,922	257,674

Contracted Services-

Advertising		8,313	
Vehicle Maintenance and Repairs		12,966	21,279

Materials and Supplies-

Office Materials and Supplies		6,869	
Uniforms		8,935	
Radio Maintenance & Equipment		4,939	20,743

Auto Expense-

Gasoline			38,883
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Other Charges-

Conventions and Travel		3,293	
Dues		2,070	
Postage		11,606	
Computer Services		13,172	
Bond		3,938	
Sheriff Academy & Training		4,300	
CCDW		15,935	
Transport Prisoners		6,368	
Interest Paid To School		8,015	
Fiscal Court Service Fee		15,770	
Miscellaneous		5,032	89,499

Capital Outlay-

Office Equipment		2,232	
Vehicles		55,532	57,764

The accompanying notes are an integral part of this financial statement.

OLDHAM COUNTY
 STEVEN W. SPARROW, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures (Continued)

Debt Service:	
State Advancement	\$ 590,000
Federal Grant	<u>101,440</u>
Total Expenditures	<u>1,881,488</u>
Net Revenues	181,956
Less: Statutory Maximum	<u>81,443</u>
Excess Fees	100,513
Less: Training Incentive Benefit	<u>3,194</u>
Excess Fees Due County for 2005	97,319
Payments to Fiscal Court - March 6, 2006	<u>97,319</u>
Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent for the first six months and 25.01 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all of the Sheriff's deposits were covered by FDIC insurance or a properly executed collateral security agreement.

OLDHAM COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2005
 (Continued)

Note 4. Leases

The Sheriff's office was committed to the following lease agreements as of December 31, 2005:

Item Purchased	Annual Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2005
Police Car	\$ 7,551	3 years	1/16/06	\$ 7,130
Police Vehicles (6)	42,795	3 years	1/28/07	41,030

Note 5. 1999 Tax Escrow Account

The 1999 tax account earned \$3 in interest in calendar year 2005 and paid \$3 in 2004 interest to the 2005 fee account in 2005. The account had an ending balance of \$1,110, as of December 31, 2005.

According to KRS 393.090, property is presumed abandoned after three years and is to be remitted to the Kentucky State Treasurer.

Note 6. Federal Grant

The Sheriff has a federal grant as a pass through from the Oldham County Fiscal Court. The grant is to be used for the purpose of providing legal assistance and legal advocacy to domestic violence victims. The Sheriff received funds totaling \$98,227 and had expenditures of \$101,440 during 2005. The grant balance as of December 31, 2005 was \$3,079

Note 7. State Body Armor Grant

The Sheriff has a grant to purchase body armor from the state; the grant account earned \$2 in interest during 2005 and has ending balance as of December 31, 2005 of \$853.

Note 8. State Forfeiture Account

The Sheriff has an account, which is used for receiving forfeited state drug money. This money is used to purchase law enforcement equipment and to make drug buys. This account had receipts of \$3,330, and expenditures of \$863, and an ending balance of \$12,002 as of December 31, 2005.

Note 9. Asset Sharing Account

The Sheriff has an account, which is used for receiving forfeited federal drug money. This money is used to purchase law enforcement equipment, for training, for drug education programs, and to make drug buys. This account had receipts of \$43 expenditures of \$3,213, and an ending balance of \$10,045 as of December 31, 2005.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mary Ellen Kinser, Oldham County Judge/Executive
Honorable Steven W. Sparrow, Oldham County Sheriff
Members of the Oldham County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Oldham County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated July 13, 2006. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Oldham County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Oldham County Sheriff's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 13, 2006

